

File

MARTIN-McNEELY MINES, LIMITED

Annual Report



For the Year Ended December 31, 1968

Martin-McNeely Mines, Limited

DIRECTORS

| | | | | | | | | | | | | | |
|-------------------|---|---|---|---|---|---|---|---|---|---|---|---|-----------------|
| G. T. SMITH | - | - | - | - | - | - | - | - | - | - | - | - | Toronto |
| H. DAHL-JENSEN | - | - | - | - | - | - | - | - | - | - | - | - | Unionville |
| R. E. FASKEN | - | - | - | - | - | - | - | - | - | - | - | - | Toronto |
| S. J. ZACKS | - | - | - | - | - | - | - | - | - | - | - | - | Toronto |
| C. M. MASTERMAN | - | - | - | - | - | - | - | - | - | - | - | - | Toronto |
| G. B. HENNING | - | - | - | - | - | - | - | - | - | - | - | - | Toronto |
| J. E. J. FAHLGREN | - | - | - | - | - | - | - | - | - | - | - | - | Cochenour, Ont. |

OFFICERS

| | | | | | | | | | | | | | |
|----------------|---|---|---|---|---|---|---|---|---|---|---|---|----------------------------|
| G. T. SMITH | - | - | - | - | - | - | - | - | - | - | - | - | <i>President</i> |
| S. J. ZACKS | - | - | - | - | - | - | - | - | - | - | - | - | <i>Vice-President</i> |
| N. W. WHEATLEY | - | - | - | - | - | - | - | - | - | - | - | - | <i>Secretary-Treasurer</i> |

Transfer Agent and Registrar

CANADA PERMANENT TRUST COMPANY
Toronto, Ontario

Auditors

ALLEN, MILES, FOX & JOHNSTON, TORONTO

Head Office

2788 Lakeshore Blvd. West
Toronto 14, Ontario

ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 4:00 o'clock p.m., Monday, June 30, 1969, in the York Room, Royal York Hotel, Front Street West, Toronto, Ontario.

MARTIN-McNEELY MINES, LIMITED

TO THE SHAREHOLDERS:

Your Board of Directors submits the Annual Report of the Company for the year ended December 31st, 1968. Included herewith are audited financial statements for the year and reports on the operations of Annco Mines Limited (44.8% owned) and Wilmar Mines Limited (43.8% owned).

Annco Mines had a net loss for the year of \$88,635 compared with a loss of \$178,843 in 1967. Development of new ore at deeper horizons will require substantial expenditures and as a result is contingent on the results of exploration to be done on the adjoining property of Cochenour Willans Gold Mines, Limited.

Wilmar Mines had a net loss during 1968 of \$136,941 as against a net loss of \$33,446 for 1967. During 1968 encouraging development results were obtained and it is planned to increase this programme in 1969. The 1969 programme should provide several years' ore at a proposed mining rate of 50,000 to 60,000 tons per year.

Your Company's investment portfolio was well maintained during the year and the market value of the investments has further increased during 1969.

During 1968 the Company investigated a number of different mining properties, but results of these investigations did not warrant acquisition. Currently examination of another property is underway, and if satisfactory terms can be negotiated, it is hoped to acquire such property. The acquisition will of course be subject to the acceptance for filing by the Toronto Stock Exchange of a filing statement disclosing the terms of the transaction.

During the year Mr. C. E. Mooney, who had been a Director of the Company for many years, died, and Mr. G. C. McCartney resigned because of pressure of other business activities. Your Directors wish to record the contribution made by both of these men during their tenure as Directors of the Company.

On behalf of the Board of Directors,

GEORGE T. SMITH

President.

Toronto, Ontario,
June 11th, 1969.

MARTIN-McNEELY

Incorporated under the laws of the Province of Ontario

BALANCE SHEET AS AT DECEMBER 31, 1968

(with comparative figures for 1967)

| ASSETS | | 1968 | 1967 |
|---|----|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash..... | \$ | 2,940 | \$ 2,138 |
| Short-term investments, at cost..... | | 287,432 | 265,000 |
| Marketable securities, at cost (Quoted market value 1968, \$239,885; 1967, \$221,690)..... | | 238,564 | 211,935 |
| Accounts receivable..... | | 8,057 | 8,715 |
| | | <u>536,993</u> | <u>487,788</u> |
| PARTICIPATION IN OTHER MINING COMPANIES | | | |
| Shares, at cost less amounts written off (no quoted market value)..... | | 880,815 | 880,815 |
| Advance to Wilmar Mines Limited..... | | 20,000 | 20,000 |
| | | <u>900,815</u> | <u>900,815</u> |
| MINING PROPERTIES | | | |
| Patented mining claims situated in the Township of Dome in the District of Patricia, Ontario..... | | 99,470 | 99,470 |
| Mining claims in the Townships of Laurin, Ternet and Parker, Quebec, at cost..... | | — | 6,622 |
| | | <u>99,470</u> | <u>106,092</u> |
| DEFERRED ASSETS | | | |
| Participation in mining syndicates, at nominal value..... | | 9 | 9 |
| Deferred exploration and administrative expenditures..... | | 169,968 | 192,522 |
| | | <u>169,977</u> | <u>192,531</u> |
| | | <u>\$1,707,255</u> | <u>\$1,687,226</u> |

AUDITORS

To the Shareholders of
Martin-McNeely Mines, Limited

We have examined the balance sheet of Martin-McNeely Mines, Limited as at December 31, 1968 and the statements of deferred exploration and administrative expenditures, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,
April 3, 1969

MINES, LIMITED

of the Province of Ontario

DECEMBER 31, 1968

as at December 31, 1967)

LIABILITIES AND SHAREHOLDERS' EQUITY

| | 1968 | 1967 |
|---|--------------------|--------------------|
| CURRENT LIABILITIES | | |
| Accounts payable and accrued charges..... | \$ 1,050 | \$ 1,671 |
| SHAREHOLDERS' EQUITY | | |
| Capital Stock | | |
| Authorized | | |
| 6,000,000 shares of \$1.00 par value | | |
| Issued | | |
| 6,000,000 shares..... | 6,000,000 | 6,000,000 |
| Less discount on shares..... | 4,312,181 | 4,312,181 |
| | 1,687,819 | 1,687,819 |
| Retained earnings (deficit)..... | 18,386 | (2,264) |
| | 1,706,205 | 1,685,555 |
| | <u>\$1,707,255</u> | <u>\$1,687,226</u> |

Approved on behalf of the Board:

GEO. T. SMITH, Director.

S. J. ZACKS, Director.

REPORT

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ALLEN, MILES, FOX & JOHNSTON
Chartered Accountants

MARTIN-McNEELY MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENDITURES

For the year ended December 31, 1968

(with comparative figures for 1967)

| | 1968 | 1967 |
|--|------------------|------------------|
| BALANCE DEFERRED January 1..... | \$192,522 | \$216,530 |
| EXPLORATION | | |
| Miner's licence..... | \$ 100 | \$ 100 |
| Acreage and municipal taxes..... | 54 | 51 |
| | <u>154</u> | <u>151</u> |
| ADMINISTRATIVE | | |
| Telephone and telegraph..... | — | 74 |
| Shareholders' information..... | 1,142 | 1,681 |
| General expense..... | 102 | 380 |
| Transfer agent's fees..... | 1,874 | 1,409 |
| Office rental..... | 600 | 600 |
| General administration expenses..... | 1,800 | 1,800 |
| Directors' fees..... | 275 | 750 |
| Audit..... | 750 | 1,285 |
| Office salary and expense..... | 561 | 571 |
| | <u>7,104</u> | <u>8,550</u> |
| Total exploration and administrative expenditures for the year..... | <u>7,258</u> | <u>8,701</u> |
| | 199,780 | 225,231 |
| DEDUCT | | |
| Interest income..... | 17,502 | 15,524 |
| Dividend income..... | 12,310 | 17,185 |
| | <u>29,812</u> | <u>32,709</u> |
| BALANCE DEFERRED December 31..... | <u>\$169,968</u> | <u>\$192,522</u> |

MARTIN-McNEELY MINES, LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1968

(with comparative figures for 1967)

| | <u>1968</u> | <u>1967</u> |
|---|------------------|------------------|
| Source of funds: | | |
| Investment income less exploration and administrative expense..... | \$ 22,554 | \$ 24,008 |
| Gain on sale of investments..... | 27,772 | 12,857 |
| | <u>50,326</u> | <u>36,865</u> |
| Application of funds: | | |
| Purchase of mining claims in the Townships of Laurin, Ternet and Parker, Quebec..... | | 6,622 |
| Cost of participation in mining syndicates—net..... | 500 | 750 |
| | <u>500</u> | <u>7,372</u> |
| Increase in working capital..... | 49,826 | 29,493 |
| Working capital at January 1..... | 486,117 | 456,624 |
| Working capital at December 31..... | <u>\$535,943</u> | <u>\$486,117</u> |

STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1968

(with comparative figures for 1967)

| | <u>1968</u> | <u>1967</u> |
|--|-----------------|-------------------|
| Deficit at January 1..... | \$ 2,264 | \$10,110 |
| Add: | | |
| Cost of mining claims abandoned..... | 6,622 | — |
| Participation in mining syndicates written down..... | 500 | 5,011 |
| | <u>9,386</u> | <u>15,121</u> |
| Deduct gain on sale of investments..... | 27,772 | 12,857 |
| Retained earnings (deficit) at December 31..... | <u>\$18,386</u> | <u>\$ (2,264)</u> |

MARTIN-McNEELY MINES, LIMITED

SHARES IN OTHER MINING COMPANIES

December 31, 1968

Unlisted and escrowed shares in mining companies
at cost less amounts written off

| | <u>Shares</u> | <u>Book Value</u> |
|---|---------------|-------------------|
| Luxor Red Lake Mines Limited..... | 197,500 | \$ 9,875 |
| Lake Expanse Gold Mines Limited..... | 15,000 | 1,333 |
| Bruno Mining Corporation Limited (shares escrowed) (nominal value)... | 10,000 | 1 |
| Annco Mines Limited..... | 1,301,668 | 234,083 |
| Wilmar Mines Limited..... | 1,315,666 | 625,110 |
| Marmattagami Mines Limited (135,000 shares escrowed)..... | 160,000 | 10,413 |
| | | <u>\$880,815</u> |

MARTIN-McNEELY MINES, LIMITED

To the President and Board of Directors
ANNCO MINES LIMITED

Gentlemen:

This Report covering the operations of your company for the year 1968, is submitted for your consideration.

PRODUCTION

27,922 tons of ore were sent to the Cochenour Mill, producing 9,497.039 fine ounces of gold and 474.850 fine ounces of silver valued at \$359,206 for an average recovery \$12.86 per ton milled. The price received for gold averaged \$37.69 Canadian per fine ounce and for silver \$2.29 per ounce. All bullion was shipped to the Royal Canadian Mint.

Your company qualified for Emergency Gold Mining Assistance. Total income estimated to be received under the provisions of this Act is \$97,582 or \$10.27 per ounce of gold produced.

COSTS

Increases in basic wage rates averaging approximately five percent, plus increased cost of items of supplies and services, including explosives, mill reagents and steel products affected costs. Efficiencies and economies were effected at the same time by recording further reductions in the cost per ton milled as compared with 1967 and previous years. The operating cost for 1968 was \$13.314 per ton milled as compared to \$16.430 per ton in 1967, down \$3.116, before deducting cost aid. The cost per ounce was reduced \$4.346.

SCHEDULE OF OPERATING COST

| | 1968 | | | 1967 |
|--------------------------------|------------------|----------------|---------------|----------------|
| | Total | Per Ton Milled | Ounce | Per Ton Milled |
| Tons Milled | | 27,922 | | 39,924 |
| Development | \$ 5,695 | .204 | .600 | 2.203 |
| Mining | 242,040 | 8.669 | 25.486 | 9.218 |
| Milling | 79,697 | 2.854 | 8.392 | 2.760 |
| General & Administrative | 41,838 | 1.498 | 4.405 | 2.126 |
| Marketing | 2,478 | .089 | .261 | .123 |
| | <u>\$371,748</u> | <u>13.314</u> | <u>39.144</u> | <u>16.430</u> |
| Deduct—Est. E.G.M.A. | 97,582 | 3.495 | 10.275 | 3.882 |
| | <u>\$274,166</u> | <u>9.819</u> | <u>28.869</u> | <u>12.548</u> |

DEVELOPMENT

No major development was done during the year. On the 18th level the drift was advanced for 40 feet, and 38 feet of raising was completed from the 19th level. Diamond Drilling totalled 3,155 and consisted mainly of fill-in drilling to direct mining.

MINING

The mill feed was supplied from the mining of 19 stopes which produced 27,922 tons of ore averaging 0.368 ounces gold per ton, representing 76.3 tons per day and 28% of the ore milled by the Cochenour mill. In 1967 Annco shipped 39,924 tons grading 0.414 ounces gold per ton.

Ore developed and available for mining above the 2200 level is calculated to be approximately 50,000 tons grading 0.40 ounces gold per ton.

The carbonate ore zone located near the west boundary of the mine was test mined and produced 3,372 tons grading 0.17 ounces gold per ton. No further ore blocks of any size were encountered and all mining in this zone ceased. Diamond drilling from the 2050 level and the 2200 level has established the down dip extensions of this zone but the mineralization is considered too low grade to be economical under the current gold price.

As reported in the 1967 report, exploration for down dip extension of the talcose ore zone below the 2200 level has established the mineralized zone to a depth of at least 175 feet below this level. The next horizon (2350) would require 3,000 feet of crosscutting and drifting to open up the ore zone, the cost of which is prohibitive for the one zone. Cochenour are exploring the "04" chert and north-south structures on the 2200 level in their mine and if further depth work is warranted, consideration will be given to drive the 2350 crosscut for the mining of the Annco and Cochenour structures.

Respectfully submitted

COCHENOUR WILLANS GOLD MINES, LIMITED

(Operations Management)

J. E. J. FAHLGREN,

General Manager.

COCHENOUR, Ontario

May 14th, 1969.

MARTIN-McNEELY MINES, LIMITED

To the President and Board of Directors
WILMAR MINES LIMITED

Gentlemen:

This report covering the operations of your company for the year 1968 is submitted for your consideration.

PRODUCTION

28,018 tons of ore were sent to the Cochenour Mill for treatment, producing 6,204.573 fine ounces of gold and 6,260.050 fine ounces of silver valued at \$247,831 for an average recovery of \$8.85 per ton milled. The price received for gold averaged \$37.69 Canadian per fine ounce and for silver \$2.29 per ounce. All bullion was shipped to the Royal Canadian Mint.

Your company qualified for Emergency Gold Mining Assistance. Total income estimated to be received under the provisions of this Act is \$63,752 or \$10.27 per ounce of gold produced.

COSTS

Increases in basic wage rates averaging approximately five percent, plus increased cost of items of supplies and services, including explosive, mill reagents and steel products affected costs. Efficiencies and economies were effected at the same time by recording further reductions in the cost per ton milled as compared with 1967. The operating cost for 1968 was \$11.453 per ton milled as compared to \$12.415 per ton in 1967, down \$0.962, before deducting cost aid. The cost per ounce was up \$2.52.

SCHEDULE OF OPERATING COSTS

| | 1968 | | | 1967 |
|----------------------------------|------------------|-----------------|-----------------|-----------------|
| | Total | Per Ton Milled | Ounce | Per Ton Milled |
| Tons Milled | | 28.018 | | 8.522 |
| Development | 4,366 | .156 | .704 | .101 |
| Mining | 192,833 | 6.882 | 31.079 | 7.034 |
| Milling | 79,971 | 2.854 | 12.889 | 2.796 |
| General and Administrative | 42,274 | 1.509 | 6.813 | 2.318 |
| Marketing | 1,456 | .052 | .235 | .166 |
| | \$320,900 | 11.453 | 51.720 | 12.415 |
| Deduct—Est. E.G.M.A. | 63,752 | 2.275 | 10.275 | 2.593 |
| | <u>\$257,148</u> | <u>\$ 9.178</u> | <u>\$41.445</u> | <u>\$ 9.822</u> |

MINING

The mine substantially increased its production during 1968 and is expected to provide over 50% of the mill feed to the Cochenour mill in 1969. 1968 production was 28,018 tons grading 0.249 ounces gold per ton.

Mining operations were carried on, on both the 1300 and 2050 levels. The stoping blocks are of good dimensions and mining costs continue to improve. Hydraulic classified tailings are being used for backfill in the 2050 6E Stope, while other stopes are being mined by shrinkage methods. Backfill stoping being of a cyclic nature, results in mill feed shortages when only one stope is mined by this method. The new 1900 level production will alleviate this problem. An in-stope load haul dump unit has been purchased to provide greater efficiency in the movement of the ore over slusher-scraping in the wide Wilmar Ore bodies, and is expected to be in operation on the 2050 level May 1st. A similar unit will be considered for the 1900 level.

Diamond drilling has indicated substantial tonnages of ore on the Wilmar. Development to date has been up to expectations and the increased productivity of this property is expected to provide the necessary tons required for the overall stability of the operation.

DEVELOPMENT

1968 Development included the following:

- (1) Completion of the waste and/or ore pass from the 2050 level to the 1900.
- (2) Grizzly installations on the 2050 and 1900 level dumps.
- (3) Station slashing on the 1900 level.
- (4) Crosscut drifting on the 1900 level for 712 feet.

The drifting program continued into early 1969 until the No. 6 East ore zone was reached. Stope preparation on this ore block is underway.

New development proposed for 1969 includes:

- (1) Ore development raise in the No. 6 East ore block from the 1900 level to the 1750 level horizon.
- (2) Waste pass/ore pass set-up from the 2050 loading pocket to the 1900 level.
- (3) Pass system from the 1900 level through to the 1450 level to provide facility for opening up the 1750, 1600 and 1450 levels.
- (4) Drift development on the 1750 and 1400 horizons to the east.

The proposed 1969 development program will provide several years' of ore at the proposed extraction rates of 50,000 to 60,000 tons per year.

Large tonnages of low grade material grading 0.11 to 0.15 ounces gold per ton have been outlined in the west area of the property and should the price of gold be appreciably increased in the future, the mine would provide ore for a much larger mining operation.

Respectfully submitted,

COCHENOUR WILLANS GOLD MINES, LIMITED,
(Operations Management)

J. E. J. FAHLGREN,
General Manager.

April 29th, 1969
Cochenour, Ontario.